

**CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES  
(Egyptian Joint Stock Company)**

**LIMITED REVIEW REPORT  
AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS PERIOD ENDED  
30 SEPTEMBER 2016**



**CLEOPATRA HOSPITAL AND ITS SUBSIDIAREIS (S.A.E.)**

**Consolidated financial statements  
For the nine months period ended 30 September 2016**

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## Limited review report on the interim financial statements

To: The Directors of Cleopatra Hospital S.A.E.

### Introduction

We have reviewed the consolidated financial statements of Cleopatra Hospital Company "S.A.E" and its subsidiaries ("the Group") representing the consolidated statement of financial position as at 30 September 2016, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the nine months period then ended, and a summary of the significant accounting policies and other notes to the financial statements. The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is to express an opinion on these consolidated financial statements based on our limited review.

### Scope of limited review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements 2410, "Review of Interim Financial Statements Performed by the Auditor of the Entity". A limited review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these consolidated financial statements.

### Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 30 September 2016 and its financial performance and its cash flows for the nine months period then ended in accordance with the Egyptian Standards on Auditing.

### Emphasis of matter

The corresponding figures for the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the period from 1 January 2015 to 30 September 2015 were not reviewed and no limited review report was issued thereon. It should be taken into consideration that the requirements of financial reporting framework of the corresponding figures were complied with, while the corresponding figures in the statement of financial position represent the figures of 31 December 2015, which were audited and an unqualified report dated 6 April 2016 was issued.

Ahmed Gamal El-Atrees  
R.A.A. 8784  
E.F.S.A. 136  
Mansour & Co. PricewaterhouseCoopers



17 November 2016  
Cairo

# CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

## Consolidated statement of financial position - At 30 September 2016

(All amounts in Egyptian Pounds)

	Note	30 September 2016	31 December 2015
<b>Assets</b>			
<b><u>Non-current assets</u></b>			
Fixed assets	6	374,807,682	267,049,952
Intangible assets	7	247,717,538	97,195,020
<b>Total non-current assets</b>		<b>622,525,220</b>	<b>364,244,972</b>
<b><u>Current assets</u></b>			
Held-to-maturity investments	8	-	38,080
Inventories	9	29,472,289	15,517,957
Trade receivables	10	129,502,182	89,986,584
Debtors and other debit balances	11	22,664,092	18,282,142
Cash on hand and at banks	12	436,448,500	109,906,869
<b>Total current assets</b>		<b>618,087,063</b>	<b>233,731,632</b>
<b>Total assets</b>		<b>1,240,612,283</b>	<b>597,976,604</b>
<b><u>Equity and liabilities</u></b>			
<b><u>Equity attributable to owners of the parent</u></b>			
<b><u>Company</u></b>			
Saher capital	16	100,000,000	80,000,000
Reserves	17	297,516,765	(62,303,508)
Retained earnings		136,770,094	108,270,052
<b>Total equity of the parent company</b>		<b>534,286,859</b>	<b>125,966,544</b>
Minority / non-controlling interests	18	40,846,106	33,250,055
<b>Total equity</b>		<b>575,132,965</b>	<b>159,216,599</b>
<b><u>Non-current liabilities</u></b>			
Non-current portion of borrowings	15	346,362,640	162,400,000
Creditors and other credit balances- Non current porotion	14	-	47,379,723
Deferred tax liabilities	26	56,897,995	43,802,580
<b>Total non-current liabilities</b>		<b>403,260,635</b>	<b>253,582,303</b>
<b><u>Current liabilities</u></b>			
Provisions	13	32,844,886	19,890,797
Creditors and other credit balances	14	149,802,348	92,550,296
Current portion of borrowings	15	53,967,716	40,600,000
Current income tax liabilities	25	25,603,733	32,136,609
<b>Total current liabilities</b>		<b>262,218,683</b>	<b>185,177,702</b>
<b>Total liabilities</b>		<b>665,479,318</b>	<b>438,760,005</b>
<b>Total shareholders' equity and liabilities</b>		<b>1,240,612,283</b>	<b>597,976,604</b>

The accompanying notes on pages 7 - 47 from an integral part of these financial statements.

  
Mr. Khalid Hassan Ahmed  
Group Head of Finance

  
Dr. Ahmed Ezzeddine Mahmoud  
CEO & Managing Director

  
Dr. Mohamed Tarek Zahed  
Chairman - Non Executive

17 November 2016

Limited review report is attached



CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of income - For the nine months period ended 30 September 2016

(All amounts in Egyptian Pounds)

	Note	Nine months ended 30 September		Three months ended 30 September	
		2016	2015	2016	2015
Operating revenue	19	626,580,514	238,462,246	215,109,560	81,852,950
<b>Less:</b>					
Operating costs	20	(439,425,020)	(149,235,634)	(154,793,531)	(47,068,838)
<b>Gross profit</b>		<b>187,155,494</b>	<b>89,226,612</b>	<b>60,316,029</b>	<b>34,784,112</b>
<b>Add / (Less):</b>					
General and administrative expenses	21	(84,319,754)	(29,360,052)	(27,881,475)	(12,361,191)
Provisions	13	(9,500,041)	(2,230,129)	(339,067)	(743,376)
Other income	22	4,915,572	657,475	533,311	193,426
Finance income	24	13,945,355	3,623,902	8,130,930	1,010,407
Finance cost	24	(41,440,233)	(984,743)	(12,094,513)	(984,682)
<b>Profit for the period before income tax</b>		<b>70,756,393</b>	<b>60,933,065</b>	<b>28,665,215</b>	<b>21,898,696</b>
Current tax	25	(21,540,620)	(15,080,926)	(7,128,916)	(5,605,287)
Deferred tax	26	3,638,763	737,250	519,100	423,004
<b>Profit after income tax</b>		<b>52,854,536</b>	<b>46,589,389</b>	<b>22,055,399</b>	<b>16,716,413</b>
<b>Profit for:</b>					
Owners of the parent company	18	45,275,638	46,589,389	19,592,172	16,716,413
Minority / non-controlling interests		7,578,898	-	2,463,227	-
<b>Profit for the period</b>		<b>52,854,536</b>	<b>46,589,389</b>	<b>22,055,399</b>	<b>16,716,413</b>

The accompanying notes on pages 7 - 47 from an integral part of these financial statements.

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES**

**Consolidated statement of income - For the nine months period ended 30 September 2016**

(All amounts in Egyptian Pounds)

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Profit for the period	52,854,536	46,589,389	22,055,399	16,716,413
Other comprehensive income	-	-	-	-
<b>Comprehensive income for the period</b>	<b>52,854,536</b>	<b>46,589,389</b>	<b>22,055,399</b>	<b>16,716,413</b>

The accompanying notes on pages 7 - 47 from an integral part of these financial statements.

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES**

**Consolidated statement of changes in shareholders' equity - For the nine months period ended 30 September 2016**

(All amounts in Egyptian Pounds)

	Share capital	Reserves	Retained earnings	Total Shareholders equity	Minority / Non controlling interest	Total equity
<b>Balance at 1 January 2015</b>	80,000,000	11,637,554	43,694,642	135,332,196	-	135,332,196
Comprehensive income for the period	-	-	46,589,389	46,589,389	-	46,589,389
<b>Balance at 30 September 2015</b>	<b>80,000,000</b>	<b>11,637,554</b>	<b>90,284,031</b>	<b>181,921,585</b>	<b>-</b>	<b>181,921,585</b>
<b>Balance at 1 January 2016</b>	<b>80,000,000</b>	<b>(62,303,508)</b>	<b>108,270,052</b>	<b>125,966,544</b>	<b>33,250,055</b>	<b>159,216,599</b>
Increase in share capital	20,000,000	-	-	20,000,000	-	20,000,000
Reserves	-	359,820,273	(3,233,896)	356,586,377	229	356,586,606
Dividends	-	-	(13,541,700)	(13,541,700)	-	(13,541,700)
Share of minority interests from the acquisition of subsidiaries	-	-	-	-	16,924	16,924
Comprehensive income for the period	-	-	45,275,638	45,275,638	7,578,898	52,854,536
<b>Balance at 30 September 2016</b>	<b>100,000,000</b>	<b>297,516,765</b>	<b>136,770,094</b>	<b>534,286,859</b>	<b>40,846,106</b>	<b>575,132,965</b>

The accompanying notes on pages 7 - 47 form an integral part of these financial statements.

**CLEOPATRA HOSPITAL (S.A.E.) AND ITS SUBSIDIARIES**

**Consolidated statement of cash flows - For the nine months period ended 30 September 2016**

(All amounts in Egyptian Pounds)

	Note	30 September 2016	30 September 2015
<b><u>Cash flows from operating activities</u></b>			
Net profit before tax		70,756,393	60,933,065
<b>Adjustments to reconcile net income to cash flows from operating activities</b>			
Fixed assets depreciation		21,032,578	4,913,196
Amortization of intangible assets	7	4,012,496	-
Provisions	13	9,809,136	2,230,129
Utilised from provisions		(8,616,076)	(105,574)
Provisions no longer required		(309,095)	-
Impairment of trade receivables	21	17,447,383	1,712,059
(Reversal) of impairment in trade receivables		(6,210,115)	-
Finance cost		41,440,233	984,743
Finance income		(13,945,355)	(3,623,902)
Income tax paid		(32,181,674)	(21,372,222)
<b>Operating profits before changes in working capital</b>		<b>103,235,904</b>	<b>45,671,494</b>
<b>Changes in working capital</b>			
Change in inventories		(5,242,137)	(47,908)
Change in trade receivables		(30,465,827)	(5,255,673)
Change in debtors and other debit balances		(46,366,431)	16,345,866
Change in creditors and credit balances		15,816,603	145,272,589
<b>Net cash flows generated from operating activities</b>		<b>36,978,112</b>	<b>201,986,368</b>
<b><u>Cash flows from investing activities</u></b>			
Payments for purchase of fixed assets and projects under construction		(17,030,028)	(3,487,598)
Payments for acquisition of subsidiary, net cash acquired		(235,052,181)	(357,138,234)
Deposits with a maturity of more than 3 months from the date of placement		(12,636,822)	-
Interest received		13,945,355	-
Proceeds from bonds		38,080	3,623,902
<b>Net cash flows used in investing activities</b>		<b>(250,735,596)</b>	<b>(357,001,930)</b>
<b><u>Cash flows from financing activities</u></b>			
Paid to increase share capital		20,000,000	-
Share premium proceeds		340,000,000	-
Proceeds from borrowings		208,714,800	203,000,000
Repayment of borrowings		(21,753,697)	-
Interest and commissions paid		(19,298,810)	-
<b>Net cash flows generated from financing activities</b>		<b>527,662,293</b>	<b>203,000,000</b>
<b>Change in cash and cash equivalents during the period</b>		<b>313,904,809</b>	<b>47,984,438</b>
Cash and cash equivalents at the beginning of the period		47,017,746	53,632,054
<b>Cash and cash equivalents at the end of the period</b>	12	<b>360,922,555</b>	<b>101,616,492</b>

The accompanying notes on pages 7 - 47 from an integral part of these financial statements.

## **CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)**

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2016**

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

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#### **1. General information**

Cleopatra Hospital (Lasheen & Co.) is a limited partnership company incorporated on 19 July 1979. On 27 June 2005, a resolution no. 4092 of 2005 was issued by the Chairman of the General Authority For Investment (GAFI) authorizing Cleopatra Hospital (Lasheen & Co.), "a limited partnership company", to transform its legal form to Cleopatra Hospital S.A.E. in accordance with the provisions of Law No. 8 for 1997 and Law No. 95 for 1992.

The purpose of the Company is to establish a private hospital with the aim to offer modern and high quality medical services and provide medical care and treatment for patients. The Company may have interest or participate in any manner in companies or other firms which carry on similar activities in Egypt or abroad. The Company may acquire, merge or affiliate such entities under the General Authority for Investment.

The Company is located at 39 Cleopatra Street, Masr Al Jadidah, Cairo.

The parent is Care Healthcare Ltd which owns 99.99% of the Company's share capital.

On 16 September 2015, Cleopatra Hospital S.A.E. acquired 52.7% of the shares of Cairo Specilaised Hospital.

On 22 September 2015, Cleopatra Hospital S.A.E. acquired 99.92% of the total shares of Nile Badrawy Hospital.

On 24 January 2016, Cleopatra Hospital S.A.E. acquired 99.99% of the total shares of Al-Shorouk Hospital Company.

These consolidated financial statements have been approved for issuance by the board of directors of the parent company on 17 November 2016.

#### **2. Accounting policies**

The following are the accounting policies applied in the preparation of these consolidated financial statements:

##### **A. Basis of preparation of consolidated financial statements**

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and relevant laws. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with EASs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The most significant accounting estimates and judgements applied in preparation of the consolidated financial statements are disclosed in Note 4.

## CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

### Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

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#### Basis of preparation of consolidated financial statements (continued)

The EAS's require the reference to the most recent issues by other parties with which they are associated, which are responsible for setting accounting standards and use similar scopes and concepts to develop accounting standards and philosophies and other and other procedures accepted in the industry, to the extent at which these concepts do not conflict with the requirements of the Egyptian Standards on Auditing, which deal with similar related subjects, definitions, basis of recognition, concepts on the measurement of assets, liabilities, revenue and expenses included in the scope of the preparation and presentation of the financial statements when there is no Egyptian standard on accounting or legal requirements that explain the accounting process for certain balances or transactions.

Matters that have not been addressed in the Egyptian Standards is subject to the International Financial Reporting Standards (IFRS) until the Egyptian Standards that address such matters are issued.

#### **New and amended EASs adopted by the Company**

In accordance with the Resolution of the Ministry of Investment No. (110) of 2015 issued on July 2015, the EASs issued by the Ministerial Resolution of 2006 have been abolished and replaced with the accounting standards attached in the Resolution No. (110) referred to, provided that this Resolution shall enter into force as of 1 January 2016 and shall be applicable to the entities whose fiscal year begins on or after this date.

It is noteworthy that there is no material impact of such amendments on values included in the Company's financial statements upon adoption of the new standards, except for the following:

- Acquisition costs charged to subsidiaries within the statement of comprehensive income rather than capitalising them in accordance with the standards whose effective date has expired.

Other amendments applicable to the Company's activity and financial statements are summarised by certain matters related to the presentation and disclosure. Accordingly, the balance sheet will be differently presented and the presentation of the working capital will be eliminated therefrom. Also, business results of the Company will be presented in two separate statements, the first one will present the components of the revenue and expenses (statement of income) and the second one will begin with the profit or loss and present the components of income which will be included in equity to show the comprehensive income (statement of other comprehensive income). Financial risk has been disclosed and the fair values have been measured in further detail.

#### **B. Basis of consolidation**

##### **i. Subsidiaries**

Subsidiaries are the companies (including special purpose entities) with which the Group does not deal and shall not have rights in variable returns through its participation in the subsidiary, and shall have the ability to impact such returns through its authority over its subsidiaries. The Group's authority over the a subsidiary arises when the Group has outstanding rights giving the Group the current ability to instruct relevant activities, such as activities that impact the subsidiary's returns. Potential voting rights that may be practiced or transferred are taken into consideration when assessing the existence of authority over the subsidiary.

## CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

### Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

#### Basis of consolidation (continued)

The acquisition method of accounting is used to account for the acquisition of a subsidiary from outside the group by the Group. The cost of an acquisition is measured at the fair value or consideration of assets given by the Company for acquisition and/ or equity instruments issued and/ or liabilities incurred by the Company, and/or the liabilities accepted on behalf of the acquiree at the date of exchange plus any costs that are directly attributable to the acquisition. Net assets, including the identifiable contingent liabilities acquired at their fair value at the date of acquisition, are measured at fair value at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the mentioned net assets, the difference is recognised directly in the statement of profit and loss.

In case the acquisition process is carried out by an entity under joint control, subsidiaries are fully consolidated from the date on which control is transferred to the Group. The historical cost method is used where assets and liabilities are transferred from the consolidated financial statements to the highest joint control entity which consolidated the transferred company. If this is not possible, transfer will be made at the same value stated in the transferred company's books. The difference between the carrying value of the net assets referred to and the cost of acquisition is recognised in equity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases. Inter-companies transactions, balances and unrealised gains on transactions are excluded. Unrealised losses are eliminated, and are considered as an indication of the impairment of the transferred assets.

Subsidiaries including, companies which were under joint control, are consolidated in these financial statements from date of acquisition. Accordingly, comparative figures for the statements of income, comprehensive income, cash flows and shareholders' equity reflect the Parent Company's figures independently. As for the financial position, the comparative figures present the financial position of the consolidated financial statements at 31 December 2015. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted at the Group's level.

The consolidated financial statements include the financial statements of the following subsidiaries:

	<u>Country of incorporation</u>	<u>Percentage of Ownership</u>
Al-Shorouk Hospital S.A.E.	Egypt	99.99%
Nile Badrawi Hospital S.A.E.	Egypt	99.92%
Cairo Specialised Hospital S.A.E.	Egypt	52.7%

#### ii. Sale, acquisition and minority interests - non-controlling interests

- The Group recognises sales and acquisitions made with the minority, as transactions with parties outside the Group. Gains or losses on disposal of equity to the minority, are recognised in the consolidated equity. Where purchase is made from minority, the difference between the consideration paid and the carrying value of the share purchased in the subsidiary's assets is recognised as a reserve in the consolidated equity.

## CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

### Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

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#### Basis of consolidation (continued)

##### iii. Associates

- Associates are entities over which the Group has significant influence but not control. A shareholding in these entities ranges between 20% and 50% of the voting rights.
- Investments in associates are accounted for by the equity method of accounting. Investments are initially recognised at cost.
- Goodwill arising from shareholding in associates is stated within investment cost net of accumulated impairment.
- The Group's share of its associates' post-acquisition profit and loss is recognised in the income statement, and its share of post-acquisition movements in associates' reserves is recognised in reserves, in exchange for the adjustment of carrying value of investment against the Group's share in post-acquisition changes in equity.
- When the Group's share of losses in associates equals or exceeds its interest in the associate, including any other receivables or unsecured borrowings, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies applied in the associates are adjusted when necessary to ensure consistency with the policies adopted by the Group.

#### C. Segment reporting

Business segments are reported in line with the reports provided internally to the senior management, which makes decisions related to resources allocation and evaluation of segments' performance in the Group. The senior management is represented by Group's executive management committee. The segment reports are provided to the Group based on each company, as each subsidiary is considered a separate business segment.

#### D. Foreign currency translation

##### (1) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The consolidated financial statements are presented in Egyptian Pound, which is the Group's functional and presentation currency.

##### (2) Transactions and balances

Foreign currency transactions during the year are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the revaluation of monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are recognised in the consolidated statement of income.

## CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

### Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

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#### E. Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes all expenses that are attributable to the acquisition of the asset and bringing it to a ready-for-use condition.

All expenses incurred by the Company to acquire or construct fixed assets are recognised within "projects under construction". When the fixed asset is commissioned and brought to ready-for-use condition, the asset's value is transferred to the fixed assets.

All repair and maintenance costs are charged to the statement of income during the fiscal year in which they are incurred. Major renovation costs are capitalised over the asset's cost when they are expected to raise the expected pattern of the Company's future economic benefits over the estimated original benefits of the asset acquisition. These costs will be depreciated at the lower of the asset's remaining useful life or the expected useful life of these renovations, the net carrying amount of the disposed part is eliminated.

The straight line method is used to calculate the depreciation by reducing the asset's value to its salvage value over the estimated useful life except the land that is not considered a depreciable asset. The fixed assets' salvage value and useful life are reviewed annually, and adjusted if appropriate.

The depreciation rates by type of asset are as follows:

Buildings	2.5%
Machinery , equipment & devices	10%
Tools and instruments	25%
Furniture and fixtures	15%
Vehicles	10%
Computers	25%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its amount estimated to be recovered from operation . Gains and losses on disposals are determined by comparing the realisable value with the net carrying amount, and the difference is recognised in the statement of income.

#### F. Intangible assets

##### i. Goodwill

Goodwill results from the acquisition of subsidiaries and represents the excess of the cost of acquisition of shareholding in subsidiaries over the fair value of the Group's share of the net assets of the acquired associate at the date of acquisition. Goodwill resulting from the acquisition of a subsidiary is included within intangible assets.

The Group's management conducts analysis annually or at shorter intervals, where there is an indication for impairment, to estimate whether the carrying value of goodwill is expected to be fully recovered, and reduce the carrying value of goodwill if it is higher than the expected recoverable amount. Any losses resulting from impairment of goodwill are charged to the income statement, and cannot be reversed subsequently.

## CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

### Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

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#### Intangible assets (continued)

Profits and losses resulting from the disposal of investments in subsidiaries or associates comprise the carrying value of the goodwill related to the investment.

Goodwill is allocated to cash generating units for the purpose of measurement of impairment. Allocation is made on cash generating units or a group of cash generating units that are expected to directly benefit from goodwill.

#### ii. Trade name

Trade name is included within intangible assets, and represents the trade name of both Nile Badrawy Hospital Co. S.A.E. and Al Shorouk Hospital S.A.E., resulting from the acquisition at fair value at the date of acquisition.

#### iii. Non-competition agreement

The fair value of the recognised asset is depreciated in such agreements over the period during which it is expected to be beneficial. The period is specified to be two years long.

#### G. Inventory

Inventories are evaluated at the lower of actual cost or net realisable value. Cost is determined using the moving average method and includes purchase cost and other direct costs. The net realisable value comprises the estimated selling price in the ordinary course of business, less realisable expenses. Allowance is made for slow moving inventories based on management's assessment of inventory movements.

#### H. Financial assets

##### i. Classification

The Company classifies its financial assets into the following categories at initial recognition depending on the purpose for which the financial assets were acquired. The management of the Company has classified its financial assets within the group of loans and receivables.

##### Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable values that are not quoted in an active market.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. In this case, they are classified as non-current assets.

Loans and receivables include accounts receivables, cash and bank balances, and due from related parties.

##### ii. Initial and subsequent measurement:

- The financial assets are measured on acquisition at fair value plus transaction costs.
- The financial assets are derecognised when the right to receive cash flows from such assets has expired or has been transferred and the Company has transferred substantially all risks and rewards of ownership.
- Loans and receivables are subsequently measured at amortised cost using the effective interest method.

## CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

### Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

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#### Financial assets (continued)

##### iii. Impairment of financial assets:

###### Assets recognised at amortised cost

The Company assesses, at the end of each reporting period, whether there is evidence that a financial asset or a group of financial assets is impaired.

Impairment of a financial asset or group of financial assets is recognised if an impairment evidence exists as a result of one or more events that occurred after the initial recognition (a "loss event") and if the loss event (or events) has an impact on the future cash flows of the financial asset or group of financial assets that can be reliably measured.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a decrease in the estimated future cash flows, such as future changes or economic conditions that correlate with the impairment evidence.

Fixed assets' impairment loss is measured at amortised cost, which is the difference between the asset's carrying amount and the present value of the estimated future cash flows (after eliminating future losses that have not occurred) discounted at the original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of income.

If, in a subsequent period, the amount of the impairment decreases and the decrease can be related to an event occurring after the initial recognition (such as an improvement in the debtor's credit rating), the reversal of the impairment is recognised in the statement of income.

#### I. Impairment of non-financial assets

Intangible assets that have an indefinite useful life, and so are not depreciated, are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognised in the statement of income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal of the asset or the value expected to be recovered its use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are independent cash inflows.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that impairment losses recognised for the asset no longer exist or have decreased. Loss of impairment, which should not exceed the fair value that will be determined (net of depreciation), is reversed. Such reversal is recognised in the income statement, excluding goodwill.

#### J. Share capital

Ordinary shares are classified as equity.

## **CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)**

### **Notes to the consolidated financial statements For the nine months period ended 30 September 2016**

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

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#### **K. Legal reserve**

As required by the Company's Articles of Association, 5% of the net profit shall be transferred to constitute the legal reserve, once the financial statements are approved by the Company's ordinary general assembly meeting. Such transfer may be discontinued when the reserve equals 50% of the Company's issued and paid up capital. Whenever this reserve is lower than this percentage, the deduction should be continued. This reserve is not available for distribution.

#### **L. Provisions**

Provisions are recognised when the Company has a (legal or constructive) obligation as a result of past events. It is expected that this settlement will result in an outflow of the Company's resources, which ensures that economic benefits will arise, and it is probable that the resource usage will be required to settle the obligation and a reliable estimate of the amount of this obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### **M. Trade payables**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business. Trade payables are initially recognised at fair value of products and services received from others, whether they have been billed or not. Long term liabilities are recognised at their present value, and trade payables are subsequently shown at amortised cost using the effective interest method.

#### **N. Borrowings and advances**

Borrowings are recognised initially at the amount of the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any difference between proceeds (net of borrowing cost) and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective yield method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of this asset. The cost of borrowing, which is capitalised, is determined based on actual borrowing costs, which are incurred by the Group during the year due to borrowing process, less any income realised from the temporary investment of funds borrowed.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the financial statements.

## **CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)**

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#### **O. Employees' benefits**

##### **Pension and insurance scheme**

The Group pays contributions to the Public Authority for Social Insurance on a mandatory basis in accordance with the rules of Social Security Law. The Group has no further obligations other than the payment of its obligations. The regular contributions are recognised as periodic costs for the year in which they are due and as such are included in staff costs.

#### **P. Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, including cash balances, trade and notes payable for rendering medical services and sale of medicine throughout the Group's ordinary course of business, and excluding sales taxes, deductions or discounts.

Revenues are recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits related to the sale process will flow to the Group; and when other specific criteria have been met for each of the Group's activities as described below. The revenue amount will not be considered reliably measurable unless all contingent liabilities are settled. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### **Medical services revenue**

The Group renders several medical services, including surgeries, admission, medical supervision, analyses, investigations, x-rays and outpatient services. The medical service income is recognised when the service is rendered to the patient.

##### **Sale of medicine revenue**

The Group sells drugs through the hospital pharmacy or when giving them to inpatients admitted in the hospital. The Group recognises the revenues of medicines when the patient receives the medicine or when the medicine is used for the treatment of inpatients.

##### **Rental income**

The Groups rents spaces to others. Such rental is recognised in the statement of income over the period of contract.

##### **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable generated from the recognition of interest is impaired, the carrying amount will be reduced to its recoverable amount.

#### **Q. Leases**

##### **i. Finance lease**

Leases are accounted for in accordance with Law 95 for the year 1995 if the tenant is not obliged to purchase the asset at the end of the lease term; the lease is registered in the register of the Companies' Department; the lease grants the tenant the right to purchase the assets at a definite date and a definite amount; and the contract period represents at least 75% of the expected useful life of the asset, at least, or the present value of the total lease payments represents at least 90% of the value of the asset.

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#### **Leases (continued)**

The cost of lease, including the cost of maintenance of the leased assets are recognised as an expense in the consolidated statement of income for the period in which they occurred. If the Group decides to exercise the right to purchase the leased assets, the cost of the right to purchase is capitalised as a fixed asset, which is depreciated over the useful life of the expected remaining life of the asset in the same method followed with similar assets.

#### **ii. Operating lease**

Leases in which the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases net of any discounts received from the lessor are recognised as expense in the statement of income on a straight-line basis over the period of the lease.

#### **R. Current and deferred income tax**

The income tax for the year is calculated on the basis of the tax laws enacted at the balance sheet date. Management periodically evaluates tax situation through tax returns, taking into account the differences that may arise from some interpretations issued by administrative or regulatory authorities, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

Deferred income tax is fully recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income taxes are not accounted for if it arises from initial recognition of an asset or liability other than those arising from business combination that at the time of the transaction affects neither accounting nor taxable income.

Deferred income tax is determined using tax rates in accordance with the law prevailing at the consolidated balance sheet date that are expected to apply when the deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### **S. Dividends**

Dividends are recognised in the Company's consolidated financial statements in the period in which the dividends are approved by the Company's General Assembly of Shareholders.

#### **T. Cash and cash equivalents**

For the purpose of preparation of consolidated statement of cash flows, cash and cash equivalents includes cash in hand, bank current accounts, and term deposits with maturities of three months of the date of deposit.

## CLEOPATRA HOSPITAL AND ITS SUBSIDIARIES (S.A.E.)

### Notes to the consolidated financial statements For the nine months period ended 30 September 2016

(All amounts in the notes are shown in Egyptian Pounds unless otherwise stated)

#### 3. Financial risk management

##### (1) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including the risk of change in foreign currency and risk of change in interest rates), credit risk and liquidity risk. The Group is not exposed to any price risk as it does not have financial assets at fair value through profit and loss. The Group's management aims to minimise potential adverse effects of such risks on the financial performance of the Group by the monitoring process performed by the Finance Department, Company's General Manager, Executive Committee at the level of the Parent Company.

The Group does not use any derivative financial instruments to hedge specific risks.

##### (A) Market risk

###### i. Risk of fluctuations in foreign currency rates

Foreign currency risk represents the changes in foreign currency rates, which affects the payments and receipts denominated in foreign currencies, as well as the evaluation of foreign currency assets and liabilities. Given the nature of the Group's activities, the Group does not undertake transactions denominated in foreign currencies as it carries out all purchases in Egyptian Pound. The Group's very limited revenue in foreign currencies are generated from certain foreign embassies. Management is of the opinion that the foreign currency balances are considered immaterial.

At the end of the year, the net foreign currency financial assets denominated in EGP was as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
USD	5,146,018	56,716
EUR	26,972	18,896
GBP	22,026	-

At 30 September 2016, if the value of EGP is 40% more or less against foreign currencies, with all other variables held constant, net profit after taxes will increase / decrease as follows:

	<u>30 September 2016</u>	<u>31 December 2015</u>
USD	2,058,407	5,671
EUR	10,789	1,889
GBP	8,810	-

###### ii. Fair value and cash flow interest rate risk

The Parent Company obtained a long-term loan at interest rate linked to the corridor declared by the Central Bank of Egypt, and therefore, it is exposed to cash flow risks.

